POSTI GROUP CORPORATION INTERIM REPORT, OCTOBER 24, 2018 AT 9:00 A.M. (EET)

Posti Group Corporation Interim Report Q3/2018

Posti Group Q3/2018: strong profit development - parcel volumes continued at a record-high level

Posti Group Corporation Interim Report January-September 2018

July-September

Financial highlights

- The Group's net sales decreased to EUR 369.1 (378.6) million, -2.5% (0.7%).
- The Group's adjusted EBITDA increased to EUR 23.1 (22.4) million, 6.3% (5.9%).
- The Group's EBITDA increased to EUR 22.4 (17.9) million, 6.1% (4.7%).
- The adjusted operating result increased to EUR 5.8 (3.6) million, or 1.6% (1.0%) of net sales.
- The operating result increased and amounted to EUR 5.1 (-35.0) million, representing 1.4% (-9.2%) of net sales.

Operational highlights

- The parcel volume of Finland and the Baltic countries increased by 9%, with 12% growth in consumer (B2C) parcels. Measured in waybills, excluding food logistics, Posti's domestic freight grew by 2%. The number of addressed letters decreased by 12% in Finland.
- Posti is renewing its organization and operating model to better correspond to market needs and e-commerce growth. As a part of the renewal, Posti announced on August 27 that Posti Group's business will be divided into five business groups, of which three will be new. Starting January 1, 2019, the business groups will be: Postal Services, Parcel & eCommerce, Logistics Solutions, OpusCapita and Itella Russia.
- Posti continues its growth in logistics according to its strategy. Posti announced on September 28 that Posti, MB Funds and other shareholders have signed an agreement Posti acquiring the entire share capital of Suomen Transval Group Oy. Transval is one of the leading in-house logistics service providers in Finland. As a result of this acquisition, Posti would become a significant operator in logistics outsourcing solutions in Finland. The closing of the acquisition is subject to an approval by the Finnish Competition and Consumer Authority.
- The Supreme Administrative Court of Finland rendered an order on September 27, 2018 confirming that Posti's pricing concerning the delivery of unaddressed advertising mail during 2007-2013 was not in violation of the competition law.

Outlook for 2018 remained unchanged

- The net sales in 2018 are expected to remain on par with 2017 or to decrease slightly. The Group's adjusted operating result is expected to remain on a par with 2017 or decrease slightly. Capital expenditure, excluding acquisitions and disposals, is expected to decrease slightly.

January-September

Financial highlights

- The Group's net sales decreased to EUR 1,176.1 (1,194.7) million, -1.6% (3.8%)
- The Group's adjusted EBITDA decreased to EUR 74.2 (77.7) million, 6.3% (6.5%).
- The Group's EBITDA increased to EUR 69.9 (60.8) million, 5.9% (5.1%).
- The adjusted operating result increased to EUR 23.4 (19.4) million, or 2.0% (1.6%) of net sales.
- The operating result increased and amounted to EUR -11.2 (-32.5) million, representing -1.0% (-2.7%) of net sales.
- Net debt to adjusted EBITDA was 0.0x (-0.1x) on September 30, 2018.

Operational highlights

- The parcel volume of Finland and the Baltic countries increased by 11 %, with 18% growth in consumer (B2C) parcels. Measured in waybills and excluding food logistics, Posti's domestic freight grew by 5%. The number of addressed letters decreased by 9% in Finland.
- As a result of management evaluation of OpusCapita's business plan, including the execution schedule and required investments to implement the plan and the risk-premium of the discount rate, an impairment loss on goodwill of EUR 30.0 million was recognized in the first quarter of the year.
- In March 2018, the Supreme Court did not grant leave to appeal requested by the claimants in litigation concerning the value added tax on postal services against Posti. This means that the decision given in September 2017 by the Court of Appeal of Helsinki to dismiss the complaint as requested by Posti and to compensate the legal expenses of Posti remains final.
- During the H1, Posti's Finnish Debt Collection business was sold to Intrum, the Norwegian Debt Collection business to Visma and the Swedish Debt Collection business to Collectia Sverige AB.
- In April 2018, Itella Russia divested its MaxiPost courier business to the Moscow-based Strategic Business Alliance. According to its strategy, Itella Russia focuses on its core businesses, contract logistics and transportation.
- In May, Posti Group Corporation signed a new EUR 150 million syndicated revolving credit facility which replaced the previous EUR 150 million facility. The new facility has a maturity of five years with an option to extend fortwo years.

Figures in brackets refer to the comparison period, i.e. the same period last year, unless otherwise stated.

Key figures of Posti Group

	7-9 2018	7-9 2017	1-9 2018	1-9 2017	1-12 2017
Net sales, EUR million	369.1	378.6	1,176.1	1,194.7	1,647.0
Adjusted EBITDA, EUR million	23.1	22.4	74.2	77.7	118.6
Adjusted EBITDA margin, %	6.3	5.9	6.3	6.5	7.2
EBITDA, EUR million	22.4	17.9	69.9	60.8	83.7
EBITDA margin, %	6.1	4.7	5.9	5.1	5.1
Adjusted operating result, EUR million	5.8	3.6	23.4	19.4	42.4
Adjusted operating result margin, %	1.6	1.0	2.0	1.6	2.6
Operating result, EUR million	5.1	-35.0	-11.2	-32.5	-27.5
Operating result margin, %	1.4	-9.2	-1.0	-2.7	-1.7
Result for the period, EUR million	6.7	-35.1	-13.7	-42.2	-44.3
Return on equity (12 months), %			-3.4	-5.8	-8.0
Return on capital employed (12 months), %			-1.3	-3.5	-5.5
Net debt, EUR million			0.8	-14.5	-43.4
Net debt / Adjusted EBITDA			0.0x	-0.1x	-0.4x
Equity ratio, %			47.9	48.0	48.8
Adjusted free cash flow			0.3	6.9	38.8
Gross capital expenditure, EUR million	11.9	16.6	49.1	52.9	73.3
Personnel, end of period			18,879	19,948	20,014
Personnel on average, FTE	16,788	18,194	16,973	18,280	17,912
Earnings per share, basic, EUR	0.17	-0.88	-0.34	-1.05	-1.11
Dividend per share, EUR					1.0
Dividends, EUR million					40.0

Heikki Malinen, President and CEO

Posti´s third quarter was strong despite the decline in mail volumes. Posti´s adjusted operating result in July-September improved by EUR 2,2 million compared to the previous year to a total of EUR 5.8 million. The Group's EBITDA also improved clearly from the comparison period in the third quarter. The Group's adjusted operating result in January-September strengthened to EUR 23.4 million.

The profitability of our core businesses, Mail, Parcel and Logistics Services, remained stable in the third quarter. Itella Russia reported a profitable operating result both for the third quarter and January-September. Itella Russia has enhanced and renewed its operations determinedly over the past year, leading now to improved profitability despite of the weakened ruble-euro exchange rate. OpusCapita has succeeded in restructuring its operations and OpusCapita´s operating result turned profitable in the third quarter.

The e-commerce market has grown at a rate of approximately 10% in Finland in the last year. Together with our extensive service point network, our fast parcel delivery and our digital service development, e-commerce has increased Posti´s parcel volumes to a record-high growth. During this year, we have already delivered more than 31 million parcels to our customers. Especially the growth in B2C parcel volumes in July-September continued to be strong.

There has been a great need for Posti´s transformation, as the volume of paper mail has been steadily declining due to changes in consumer behavior and rapid digitalization. The volumes of addressed letters have fallen by about 50% between 2008 and 2018. This has meant a significant loss of revenue for Posti. As part of the transformation, our aim is to create new, compensatory businesses. In the coming years, we expect the letter mail volume decline to continue, as the world is gradually moving to digital communication from paper mail.

A year ago we updated Posti's strategy to continue our determined renewal and to seek growth especially in parcels, e-commerce and logistics services. To improve customer experience in e-commerce, we will expand our Parcel Locker network and we will launch a same-day parcel delivery six days a week this autumn. In November-December, Posti will also begin parcel delivery service on Sundays in 12 cities. At the same time, we will take steps to extend the life span of the mail and press delivery.

Posti is currently renewing its organization and operating model to better respond to market needs and to take advantage of e-commerce growth. The renewed organization will start operating on January 1, 2019. We are confident that our new operating model will enhance customer experience and strengthen our competitiveness. Our customer, technology and market environment is changing rapidly, and Posti has to be more agile, more digital and more customer-oriented. We are excited that Posti`s new OmaPosti electronic mailbox exceeded the million-user benchmark at the beginning of October.

As a part of our strategy to grow in logistics we signed an agreement to acquire Suomen Transval Group Oy, a company that specializes in in-house logistics. As a result of this acquisition, which has not yet been closed, Posti would become a significant operator in logistics outsourcing solutions in Finland and 3,500 new employees would join us.

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APPENDICES

Posti Group's Interim Report in full (PDF)

FURTHER INFORMATION

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FINANCIAL CALENDAR
Financial statements for 2018: Thursday, February 14, 2019, at 9:00 a.m.

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Posti is the leading postal and logistics service company in Finland. Our core business includes postal services, parcels, freight and logistics services. We have the widest network coverage in Finland and we visit about three million households and companies every weekday. We manage the flow of everyday life in 11 countries. Our net sales in 2017 amounted to EUR 1.6 billion and the number of our personnel is approximately 20,000. www.posti.com.

Market situation and business environment, January–September 2018

According to the Ministry of Finance forecast published in September, Finland´s gross domestic product (GDP) will increase to 3.0% in 2018, but economic growth is predicted to slow down. In 2019, growth is forecasted to reach 1.7%. Finnish consumer confidence is falling, but still on a strong level, according to the Consumer Survey made by the Statistics Finland.

Growth in the world economy is also continuing, but the fastest growth phase has ended and Europe is experiencing a slowdown in economic growth. The trade war between the United States and China is a threat to economic growth, according to the Ministry of Finance.

According to the Bank of Finland, Russian GDP is forecasted to grow by 2% this year. During the next few years, the growth is expected to slow down to 1.5% if the oil price remains close to its current level.

Net sales and profit performance

July–September 2018

The number of working days in the third quarter was 65, the same as in the previous year. The number of working days affects the Group’s net sales and result, having an impact on both year-on-year comparisons and comparisons between consecutive quarters.

The Group’s net sales decreased by 2.5% (0.7%) to EUR 369.1 (378.6) million. Net sales increased 0.5% in Mail, Parcel and Logistics Services but decreased by 14.7% in Itella Russia largely due to the impact of currency exchange rate changes and the divestment of MaxiPost. Net sales declined by 0.2% in Finland and declined by 15.5% in other countries.

International operations accounted for 13.2% (15.3%) of net sales. The decline in international operations’ net sales was mainly related to the divestment of MaxiPost in Russia as well as divestment of OpusCapita’s Finance and Accounting Outsourcing and related subsidiaries in Q3/2017.

The Group’s adjusted EBITDA increased to EUR 23.1 (22.4) million, 6.3% (5.9%). EBITDA increased to EUR 22.4 (17.9) million, 6.1% (4.7%). The increase in the adjusted EBITDA was attributable to the better results of Itella Russia and Opus Capita.

The adjusted operating result increased to EUR 5.8 (3.6) million, or 1.6% (1.0%) of net sales.

The special items recognized during the quarter amounted to EUR 0.7 million, which includes EUR 0.5 million costs relating to personnel restructuring. In July-September 2017, special items affecting the result negatively amounted to EUR 38.6. In conjunction with the restructuring of OpusCapita and the refocusing of its operations, the future outlook and cash flow forecasts of the cash generating unit were updated. Based on this assessment, the Group recognized impairment of goodwill in the amount of EUR 33.9 million.

The operating result was EUR 5.1 (-35.0) million, or 1.4% (-9.2%) of net sales. In July-September 2017, special items affecting the result negatively amounted to EUR 38,6 million, including an impairment of OpusCapita goodwill of EUR 33.9 million.

Universal service obligation was 3.4% (4.3%) of all Posti’s delivery volumes. Operations under the universal service obligation amounted to EUR 25.2 (26.8) million, or 6.8% (7.0%) of the Group’s net sales.

January–September 2018

The number of working days in January-September was 189, the same as in the previous year. The number of working days affects the Group’s net sales and result, having an impact on both year-on-year comparisons and comparisons between consecutive quarters.

The Group's net sales decreased by 1.6% to EUR 1,176.1 (1,194.7) million. Net sales increased 1.4% in Mail, Parcel and Logistics Services but decreased 11.0% in Itella Russia mainly driven by currency exchange rates and the divestment of MaxiPost.

Net sales grew by 0.7% in Finland and declined by 14.3% in other countries. International operations accounted for 13.0% (15.0%) of net sales. The decline in international operations' net sales was mainly related to the divestment of MaxiPost in Russia as well as divestment of OpusCapita's Finance and Accounting Outsourcing and related subsidiaries in Q3/2017.

The Group's adjusted EBITDA declined to EUR 74.2 (77.7) million, 6.3% (6.5%). EBITDA increased to EUR 69.9 (60.8) million, 5.9% (5.1%). The development was due to increased EBITDA in OpusCapita and ItellaRussia.

The adjusted operating result increased to EUR 23.4 (19.4) million, or 2.0% (1.6%) of net sales.

The special items during January-September amounted to EUR 34.6 million, which includes EUR 30.0 million impairment loss on OpusCapita's goodwill, a EUR 2.0 million gain on the divestment of the Scandinavian debt collection business and costs relating to personnel restructuring and strategic projects.

The operating result was EUR -11.2 (-32.5) million, or -1.0% (-2.7%) of net sales.

Universal service obligation was 3.4 % (4.2%) of all Posti's delivery volumes. Operations under the universal service obligation amounted to EUR 82.5 (82.4) million, or 7.0 % (6.9%) of the Group's net sales.

Mail, Parcel and Logistics Services

July-September 2018

The year-on-year development of Posti's product volumes was as follows:

- Addressed letters: -12% (-13%)
- Parcels in Finland and the Baltics: +9% (+10%), of which B2C parcels +12% (+13%)
- Domestic freight* measured in waybills: +2% (+8%)
- Warehouse fill rate in Finland on average, July-September 70% (78%)

* The reported figure for domestic freight excludes food logistics

The total amount of parcels delivered by Posti in Finland and the Baltic countries increased to 10.3 (9.5) million parcels. The figure does not include letter-like e-commerce items. In the Baltic countries, parcel volumes increased by 9%.

The net sales of Mail, Parcel and Logistics Services increased to EUR 332.5 (330.9) million.

Net sales of Mail, Parcel and Logistics Services:

Net sales, EUR million	7-9 2018	7-9 2017	Change
Mail and Marketing Services	**132.7**	134.0	-0.9%
Press Services	**38.2**	40.6	-5.8%
Parcel Services	**69.9**	66.5	5.1%
Logistics Services	**93.4**	92.1	1.4%
Other and eliminations	**-1.8**	-2.3	
Total	**332.5**	330.9	0.5%

Mail and Marketing Services net sales decreased a little, driven by decreased volume in addressed letters. The net sales has also been affected by lower than expected stamp sales development. However, the net sales benefitted from pricing and product mix changes. The prices of Posti's cash letter services changed on May 4, 2018. The press revenue suffered from volume decline as well as price competition.

The net sales of Parcel Services grew particularly due to growth in consumer parcels. Parcel Services saw positive development, particularly in the volumes of domestic B2C parcels and international B2C parcels addressed to Finland. The number of parcels going through parcel points grew by 14%. At the end of September, Posti had a total of 1,658 service points in Finland, of which 757 were parcel points.

Logistics Services net sales grew by 1.4%. In Logistics services, the development in domestic freight, measured in waybills, was positive, but growth was slightly slower than in the comparison period.. In the warehouse business, the fill rate was at a lower level compared to the previous year. This is due to a few large customer losses.

The adjusted EBITDA of Mail, Parcel and Logistics Services decreased to EUR 15.5 (17.3) million, 4.7% (5.2%). The result was affected by decreased volume in mail and marketing services, as well as press services. EBITDA decreased to EUR 15.1 (16.4) million.

The adjusted operating result decreased to EUR 5.0 (5.6) million, 1.5% (1.7%). The operating result increased to EUR 4.6 (-2.2) million.

January-September 2018

The year-on-year development of Posti's product volumes was as follows:

- Addressed letters: -9% (-10%)
- Parcels in Finland and the Baltics: +11% (+7%), of which B2C parcels +18% (+9%)
- Domestic freight* measured in waybills: +5% (+8%)
- Warehouse fill rate in Finland on average, January-September 78% (77%)

* The reported figure for domestic freight excludes food logistics

The total amount of parcels delivered by Posti in Finland and the Baltic countries increased to 31.2 (28.2) million parcels. The figure does not include letter-like e-commerce items. In the Baltic countries, parcel volumes increased by 16%.

The net sales of Mail, Parcel and Logistics Services increased to EUR 1,060.5 (1,045.5) million.

Net sales of Mail, Parcel and Logistics Services:

Net sales, EUR million	1–9 2018	1–9 2017	Change
Mail and Marketing Services	**446.7**	449.0	-0.5%
Press Services	**122.0**	123.6	-1.3%
Parcel Services	**213.3**	203.7	4.8%
Logistics Services	**283.6**	275.8	2.8%
Other and eliminations	**-5.1**	-6.5	
Total	**1,060.5**	1,045.5	1.4%

The January-September net sales grew slightly despite mail volume decline. The business mix continued to move towards parcel and logistics.

The Mail and Marketing Services net sales were almost at the previous year level, driven by pricing and product mix changes. The prices of Posti's cash letter services changed on May 4, 2018. As consumer behaviors are changing and digital transformation is progressing, the mail volume decline continued, especially in addressed letter. The volume decline accelerated especially after the second quarter. In April-June the rate of volume decrease (-5%) was lower than on the previous year (-10%) due to extra seasonal, such as GDPR-related mail deliveries. However, the downward trend continued in July-September. The Press Services revenue was affected both by volume decline and price competition.

Parcel Services saw strong growth, particularly in the volumes of domestic B2C parcels and international B2C parcels addressed to Finland. The net sales of Parcel Services grew particularly due to growth in consumer parcels.

Logistics net sales grew by 2.8%. The development in domestic freight, measured in waybills, was positive, but development was slightly slower than in the comparison period. This is mainly due to the Finnish business environment. Transport volumes in heavy traffic begins to even out on Filnad´s main roads after a strong growth period. Warehouse fill rates also improved slightly, the development being stronger in the beginning of the year.

The adjusted EBITDA of Mail, Parcel and Logistics Services was EUR 62.8 (68.2) million, 5.9% (6.5%). The result was mainly affected by the decline in net sales both in mail and marketing sales and press services. EBITDA decreased to EUR 63.2 (64.3) million.

The adjusted operating result decreased to 31.2 million, (33.0). The operating result increased to EUR 31.6 million, (22.1) million.

Itella Russia

July-September 2018

Itella Russia's net sales measured in local currency decreased by 5.6%. Reported euro-denominated net sales decreased by 14.7% to EUR 25.1 (29.4) million due to currency translation effects. The divestment of Maxipost during Q2 impacted negatively on net sales. Contract Logistics was slightly negative following optimization of the regional business during 2017 during which unprofitable locations were closed.

Itella Russia's adjusted EBITDA continued to grow in the third quarter. The adjusted EBITDA was EUR 2.3 (1.0) million, 9.3% (3.4%) of net sales. EBITDA was EUR 2.2 (0.9) million. The adjusted operating result improved to EUR 0.9 (-0.7) million. The result improvement was driven by Contract Logistics but also Road Transport contributed as well as the divestment of Maxipost.

The average fill rate for warehouses showed a year-on-year increase in Moscow and a decrease in other regions. The average fill rate for warehouses in Moscow was 88% (87%), while in other regions it was 66% (72%).

The operating result was EUR 0.7 (-0.8) million.

January-September 2018

Itella Russia's net sales measured in local currency grew by 0.7%. Reported euro-denominated net sales decreased by 11.0% to EUR 76.6 (86.1) million due to currency translation effects. In April 2018, Itella Russia divested its MaxiPost courier business to the Moscow-based Strategic Business Alliance. This impacted negatively on the net sales. According to its strategy, Itella Russia focuses on its core businesses, contract logistics and transportation.

The adjusted EBITDA was EUR 5.4 (2.0) million, 7.1% (2.4%). EBITDA was EUR 6.1 (1.8) million. Itella Russia continues to implement measures to improve its EBITDA. The adjusted operating result improved and was EUR 0.9 (-3.4) million. Most of the result improvement came from Contract Logistics but also Road Transport contributed.

The average fill rate for warehouses showed a year-on-year increase in Moscow and a decrease in other regions. The average fill rate for warehouses in Moscow was 86% (82%), while in other regions it was 71% (74%).

The operating result was EUR 1.3 (-3.6) million.

OpusCapita

July-September 2018

OpusCapita's net sales grew by 3.6% and totaled EUR 15.8 (15.2) million. The positive trend in net sales was supported by 26 % growth in SaaS subscription revenue. Conversion from on-premise to SaaS continued successfully especially in the Cash Management product line. However, the net sales continued to decline in paper-based transaction products as expected.

The adjusted EBITDA increased to EUR 1.9 (0.4) million, 11.9% (2.5%). The improvement in adjusted EBITDA was due to the positive development in net sales and the cost-savings program initiated in Q2 2018. EBITDA increased to EUR 1.9 (0.3) million.

The adjusted operating result improved to EUR 0.7 (-1.0) million, 4.6% (-6.6%). The operating result increased to EUR 0.7 (-27.9) million. In July-September 2017, special items affecting the result negatively included an impairment of goodwill allocated to OpusCapita in the amount of EUR 26.9 million.

January-September 2018

OpusCapita net sales increased by 0.3% and totaled EUR 47.5 (47.3) million. SaaS subscription growth was 30 % while the net sales in paper-based transaction products continued to decline following the global digitalization trend.

The adjusted EBITDA increased to EUR -0.1 (-1.5) million, -0.2% (-3.3%). EBITDA improved to EUR -0.9 (-1.6) million. The improvement in EBITDA was due to the Q2 cost-savings and restructuring program. OpusCapita announced a restructuring program on May 3, 2018, to strengthen OpusCapitas´s finances. The aim was to refocus OpusCapita´s internal resources to support continued investments in product development and further enhancement of the customer experience. As a part of the restructuring program, OpusCapita finalized cooperation negotiations in several of its operating countries. Therefore, the EBITDA was burdened by EUR 0.6 million in restructuring program-related costs.

The adjusted operating result improved to EUR -3.1 (-5.7) million, -6.5% (-12.0%). The operating result declined to EUR -34.0 (-32.6) million. As a result of a management evaluation of OpusCapita's business plan, including the execution schedule and required investments to implement the plan and the risk-premium of the discount rate, an impairment loss on goodwill of EUR 30.0 million was recognized in the first quarter of the year.

Other operations

Other operations net sales for 2017 include net sales from the Finance and Accounting Outsourcing business, divested in September 2017.

Key figures for segments

EUR million	7-9 2018	7-9 2017	1-9 2018	1-9 2017	1-12 2017
Net sales					
Mail, Parcel and Logistics Services	332.5	330.9	1,060.5	1,045.5	1,448.7
Itella Russia	25.1	29.4	76.6	86.1	119.1
OpusCapita	15.8	15.2	47.5	47.3	64.7
Other and unallocated	1.0	5.4	3.2	22.9	23.5
Intra-Group sales	-5.2	-2.2	-11.8	-7.1	-9.0
Posti Group	**369.1**	**378.6**	**1,176.1**	**1,194.7**	**1,647.0**

Net sales change-%					
Mail, Parcel and Logistics Services	0.5 %	0.9 %	1.4 %	3.0 %	2.3 %
Itella Russia	-14.7 %	9.2 %	-11.0 %	17.8 %	13.8 %
OpusCapita	3.6 %	-1.6 %	0.3 %	6.7 %	4.4 %
Posti Group	**-2.5 %**	**0.7 %**	**-1.6 %**	**3.8 %**	**2.5 %**
Adjusted EBITDA					
Mail, Parcel and Logistics Services	15.5	17.3	62.8	68.2	106.3
Itella Russia	2.3	1.0	5.4	2.0	3.7
OpusCapita	1.9	0.4	-0.1	-1.5	-2.6
Other and unallocated	3.4	3.8	6.1	9.1	11.2
Posti Group	**23.1**	**22.4**	**74.2**	**77.7**	**118.6**
Adjusted EBITDA, %					
Mail, Parcel and Logistics Services	4.7 %	5.2 %	5.9 %	6.5 %	7.3 %
Itella Russia	9.3 %	3.4 %	7.1 %	2.4 %	3.1 %
OpusCapita	11.9 %	2.5 %	-0.2 %	-3.3 %	-4.0 %
Posti Group	**6.3 %**	**5.9 %**	**6.3 %**	**6.5 %**	**7.2 %**
EBITDA					
Mail, Parcel and Logistics Services	15.1	16.4	63.2	64.3	102.2
Itella Russia	2.2	0.9	6.1	1.8	-14.4
OpusCapita	1.9	0.3	-0.9	-1.6	-3.6
Other and unallocated	3.2	0.3	1.5	-3.8	-0.6
Posti Group	**22.4**	**17.9**	**69.9**	**60.8**	**83.7**
EBITDA, %					
Mail, Parcel and Logistics Services	4.5 %	5.0 %	6.0 %	6.1 %	7.1 %
Itella Russia	8.7 %	3.0 %	7.9 %	2.1 %	-12.0 %
OpusCapita	11.9 %	2.3 %	-2.0 %	-3.3 %	-5.6 %
Posti Group	**6.1 %**	**4.7 %**	**5.9 %**	**5.1 %**	**5.1 %**

Key figures for segments

EUR million	**7-9 2018**	**7-9 2017**	**1-9 2018**	**1-9 2017**	**1-12 2017**
Adjusted operating result					
Mail, Parcel and Logistics Services	5.0	5.6	31.2	33.0	60.4
Itella Russia	0.9	-0.7	0.9	-3.4	-3.5
OpusCapita	0.7	-1.0	-3.1	-5.7	-7.9
Other and unallocated	-0.8	-0.3	-5.6	-4.6	-6.5
Posti Group	**5.8**	**3.6**	**23.4**	**19.4**	**42.4**

Adjusted operating result, %					
Mail, Parcel and Logistics Services	1.5 %	1.7 %	2.9 %	3.2 %	4.2 %
Itella Russia	3.5 %	-2.3 %	1.2 %	-4.0 %	-2.9 %
OpusCapita	4.6 %	-6.6 %	-6.5 %	-12.0 %	-12.3 %
Posti Group	**1.6 %**	**1.0 %**	**2.0 %**	**1.6 %**	**2.6 %**
Operating result					
Mail, Parcel and Logistics Services	4.6	-2.2	31.6	22.1	49.3
Itella Russia	0.7	-0.8	1.3	-3.6	-21.5
OpusCapita	0.7	-27.9	-34.0	-32.6	-35.9
Other and unallocated	-1.0	-4.1	-10.2	-18.5	-19.4
Posti Group	**5.1**	**-35.0**	**-11.2**	**-32.5**	**-27.5**
Operating result, %					
Mail, Parcel and Logistics Services	1.4 %	-0.7 %	3.0 %	2.1 %	3.4 %
Itella Russia	3.0 %	-2.7 %	1.7 %	-4.2 %	-18.1 %
OpusCapita	4.6 %	-183.3 %	-71.5 %	-68.8 %	-55.4 %
Posti Group	**1.4 %**	**-9.2 %**	**-1.0 %**	**-2.7 %**	**-1.7 %**

Financial position and investments

In January-September 2018, the consolidated cash flow from operating activities was EUR 38.4 (44.8) million, the cash flow from investing activities EUR -30.9 (-34.2) million and the cash flow from financing activities EUR -28.1 (-7.8) million following the dividend payment totaling EUR 40.0 (60.0) million.

Investments in intangible assets, property, plant and equipment and business acquisitions according to the statement of cash flow amounted to EUR 48.1 (54.1) million. During the period January-September, the Group invested in the new freight terminal in Vantaa, information systems, the transport fleet and production projects.

At the end of September, liquid assets amounted to EUR 91.5 (132.5) million, and undrawn committed credit facilities totaled EUR 150.0 (210.0) million. The Group took out a new long-term loan of EUR 60 million in the second quarter. The Group's interest-bearing liabilities were EUR 132.2 (182.8) million. The equity ratio was 47.9% (48.0%) and the net debt totaled EUR 0.8 (-14.5) million.

In May, Posti Group Corporation signed a new EUR 150 million syndicated revolving credit facility which replaced the previous EUR 150 million facility. The new facility has a tenor of five years and it has an option to extend the maturity with two years.

Changes in management

From May 1, 2018 Posti clarified Posti´s current management roles by discontinuing the Management Board.

Petteri Naulapää, M.Sc. (Tech.), was appointed as the Senior Vice President, ICT and Digitalization of the Posti Group Corporation and as a member of the Posti Group Corporation Executive Board. Naulapää started in his new role on June 23, 2018. **Hanna Reijonen**, M.Sc. (Econ.), was appointed as Senior Vice President, Human Resources and as a member of the Posti Group Corporation Executive Board as of March 22, 2018. **Jaana Jokinen**, who has acted as Senior Vice President, Human Resources since 2009, retired on June 30, 2018 **Jani Jolkkonen**, Director, ICT and digitalization, and a member of the Posti Group Corporation Executive Board left Posti Group Corporation on January 11, 2018. **Jukka Rosenberg**, the Vice President of Parcel and Logistics Services, and a member of the Posti Group Corporation Executive Board left Posti Group Corporationon September 1, 2018.

In August 2018, Posti made an announcement about renewing its organization and operating model to better correspond to market needs and e-commerce growth. Posti Group's business will be divided into five business groups, of which three will be new. Starting January 1, 2019, the new business groups will be:

- **Postal Services**, which will be headed by M.Sc. (Tech.) **Yrjö Eskola** starting January 1, 2019. Eskola is Posti's current Vice President, Operations.
- **Parcel & eCommerce**, which will be headed from January 1, 2019 by M.Sc. (Tech.) **Turkka Kuusisto**, who is the current Vice President of the Postal Services business group.
- **Logistics Solutions**, is headed by M.Sc. (Econ.) **Sari Helander** starting September 1, 2018. Helander has worked as CFO of Posti since 2011.
- With Helander's transfer to Logistics Solutions, Sc. (Econ.) **Tom Jansson** began as acting CFO starting September 1, 2018. Jansson was previously the Head of Finance in OpusCapita.

The **Itella Russia** and **OpusCapita** business groups will remain unchanged and continue to be headed by **Jussi Kuutsa** and **Patrik Sallner**, respectively.

Employees

The Group's personnel	1-9 2018	1-9 2017	1-12 2017
Personnel at period-end	18,879	19,948	20,014
Personnel on average, FTE*	16,973	18,280	17,912

*Full time equivalent personnel on average

Personnel at the end of the period:

- Finland: 15,955 (16,038) employees
- Other countries of operation: 2,924 (3,910) employees

The Group's personnel expenses amounted to EUR 499.5 (514.3) million in January–September, down 2.9% from the previous year. The personnel expenses included EUR 2.0 (4.5) million in restructuring costs. Excluding restructuring costs, the personnel expenses declined by 2.4% year-on-year.

The Uusi polku (New path) program September 30, 2018 (YTD):

- Applications: 149
- Approved: 61

Launched at the beginning of 2014, the Uusi polku (New path) program offers personnel not only financial support, but also training and support for job seeking, as well as support for retraining or starting a business.

Acquisitions, divestments and changes in corporate structure

In March 2018, Posti's Finnish Debt Collection business was sold to Intrum and the Norwegian Debt Collection business to Visma. In June 2018, Posti's Swedish Debt Collection business was sold to Collectia Sverige AB.

On April 24, 2018, Itella Russia divested its MaxiPost courier business to the Moscow-based Strategic Business Alliance. According to its strategy, Itella Russia focuses on its core businesses, contract logistics and transportation.

Regulatory environment

Posti executed its first mandatory tendering procedure based on the Postal Act amendment, which became effective on July 1, 2018. The mandatory tendering procedure covers the five-day delivery of universal service letters in areas not covered by the early-morning newspaper delivery, which is based on commercial agreements. The areas subject to the tendering procedure are based on a decision issued by The Finnish Communications Regulatory Authority. The tendering covers more than 1,700 areas. A total 33 companies submitted tenders as part of the competitive tendering process that began in January. The companies that won the competitive tendering process have carried out deliveries for Posti before.

According to the legislator, the aim of this regulation is to introduce new delivery activities, including a combination of existing deliveries, in sparsely populated areas. In Posti's view, increased co-operation in sparsely populated areas is a positive development.

Legal proceedings

In March 2018, the Supreme Court did not grant leave to appeal in litigation concerning the value added tax on postal services requested by the claimants against Posti. This means that the decision given at September 2017 by the Court of Appeal of Helsinki to overrule the complaint as requested by Posti and to compensate the legal expenses of Posti remains final.

In 2011 and 2012, seven financial institutions submitted a claim primarily against Posti, and secondarily against Posti and the State of Finland in order to receive compensation for the value added tax charged by Posti on its postal services in 1999–2014. The claim was based on the allegation that the Finnish Value Added Tax Act had been, and still remained, contrary to the EU's Value Added Tax Directive. According to the claims, the postal services provided for the financial institutions should have been VAT exempt. The claims were rejected in their entirety by a decision of the Helsinki District Court in September 2015, and by a decision of the Court of Appeal of Helsinki in September 2017. Posti is not obliged to compensate the VAT that it has charged from its customers. During the process, Posti has considered the allegations made by the plaintiffs to be without merit.

In September 2018, the Supreme Administrative Court of Finland has decided on the request for action submitted by Suomen Suoramainonta Oy (SSM) concerning Posti's operations in the unaddressed mail delivery services market. According to the decision by the Supreme Administrative Court, Posti's pricing concerning the delivery of unaddressed advertising mail is not in violation of the competition law.

Business risks

The risks and uncertainties related to Posti's business include risks relating to Posti's operating environment, operational risks, legal and regulatory risks as well as financing risks.

Posti's business is dependent on the general economic conditions, and their developments in Finland and in the surrounding countries. The continued decline of letter mail and print volumes due to the increased digital substitution involves particular risks to Posti, if it is not able to appropriately predict and adjust itself for such a decline, by reducing costs and creating new businesses or if those measures are not sufficient. Finally, Posti operates in competitive industries and if Posti is not able to answer to the intensifying competition, this may have a negative effect on Posti's success. Posti is executing a profound business transformation to adapt to the changing business environment, and the success of the chosen transformation strategy, including the realization of the targeted growth and efficiency improvements, is central for Posti's success in the future.

Posti is dependent on the reliability, functionality and cost-efficiency of its' ICT systems and infrastructure, which may not fully meet the requirements of Posti's current or planned new businesses or support them.

Other dependencies consist of the business seasonality with focus on the end-of the year, the key customers and partners that may be lost and not appropriately replaced, limitations of UPU payment terminals, Posti's operational facilities and transportation infrastructure in Finland and Russia with limited or no comparable back-ups, as well as Posti's ability to recruit and retain competent leaders and managers, as well as talented employees, and to keep them motivated. Other operational risks include, among others, potential challenges in acquisition and divestments, if any, and integration of possibly acquired businesses, general reputation management and the increased risk of fraud, theft and embezzlement that have become more commonplace in the logistics market.

Even if the Postal Act in Finland was amended in 2017 in a manner where many restrictions earlier imposed on the USO (Universal Service Obligation) operator were deleted, there is no certainty of stability in the legal environment as to the postal regulation in Finland or the legislation in general in other countries, Russia in particular. The sanctions imposed by the US and EU on a number of Russian persons, entities and activities may also have an adverse impact on Posti's overall operations. In Finland, Posti tends to be subject to a number of antitrust reviews and investigations on a continuous basis.

Events after the review period

Posti is renewing its operating model. Posti announced on October 16, 2018 that Cooperation negotiations will begin on October 23. According to the current estimate, the personnel reduction need will be at most 72 employees, with the hope that the number will be decreased by filling newly established positions.

Dividend policy and long-term financial targets

In May, the Board of Directors adopted a dividend policy pursuant to which the Company aims to pay out a continuously increasing ordinary dividend.

Posti's Board of Directors also set in May the following long-term financial targets for Posti's operations:

- Adjusted operating result margin of 4 percent
- Net debt / Adjusted EBITDA less than 2.0x
- Strict management of free cash flow

Outlook for 2018

The net sales in 2018 are expected to remain on par with 2017 or to decrease slightly. The Group's adjusted operating result is expected to remain on par with 2017 or decrease slightly. Capital expenditure, excluding acquisitions and disposals, is expected to decrease slightly.

The Group's business is characterized by seasonality. Net sales and operating profit in the segments are not accrued evenly over the year. In Postal Services and consumer parcels, the first and fourth quarters are typically strong, while the second and third quarters are weaker.

The development of exchange rates, especially the ruble exchange rate, may affect the Group's net sales, result and balance sheet.

Helsinki, October 23, 2018

Posti Group Corporation
Board of Directors

APPENDICES

Calculation of key figures

In addition to IFRS-based performance measures, Posti Group discloses alternative performance measures as additional information to financial measures presented in the consolidated income statement, consolidated balance sheet, consolidated statement of cash flows and in the notes disclosures. Management believes that adjusted performance measures provide meaningful supplemental information to both management and investors regarding the business performance. Adjusted EBITDA and adjusted operating result are also one of the key business performance indicators in Posti Group's management reporting.

EBITDA		Operating result excluding depreciation, amortization and impairment losses.
Adjusted EBITDA		EBITDA excluding special items.
Adjusted operating result		Operating result excluding special items.
Special items		Special items are defined as significant items of income and expenses, which are considered to incur outside the ordinary course of business. Special items include restructuring costs, significant impairment losses on assets, impairment on goodwill, significant gains or losses on sale of shares, real estates or business operations, changes in contingent purchase considerations originated from business combinations, costs for strategic key projects and other material items outside of ordinary course of business.
Gross capital expenditure		Additions to intangible assets and property, plant and equipment including additions through finance leases as well as business acquisitions comprising of total amount of purchase considerations.
Equity ratio, %	100 x	Total equity / Total assets - advances received
Return on equity, %	100 x	Result for the period (12 months rolling) / Total equity (average of opening and closing balance of the previous 12 months)
Return on capital employed, %	100 x	Operating result (12 months rolling) / Capital employed (average of opening and closing balance of the previous 12 months)
Capital employed		Non-current assets less deferred tax assets plus inventories and trade and other receivables less other non-current liabilities, less advances received, less provisions, less defined benefit pension obligations, less trade and other payables.
Net debt		Interest bearing borrowings - liquid funds - debt certificates.
Net debt / Adjusted EBITDA		Net debt / Adjusted EBITDA (12 months rolling)
Interest-bearing borrowings		Non-current and current borrowings.
Liquid funds		Cash and cash equivalents + money market investments + investments in bonds.
Personnel on average, FTE		Full time equivalent personnel on average.
Adjusted free cash flow		Cash flow from operating activities as presented in the consolidated statement of cash flows less purchase of intangible assets and property, plant and equipment as presented in the consolidated statement of cash flows and less cash flow impacts of personnel restructuring costs and costs of strategic key projects.

Interim report tables January-September 2018

Condensed consolidated Income Statement and Consolidated Statement of Comprehensive Income

Condensed consolidated income statement

EUR million	7-9 2018	7-9 2017	1-9 2018	1-9 2017	1-12 2017
Net sales	**369.1**	**378.6**	**1,176.1**	**1,194.7**	**1,647.0**
Other operating income	2.6	2.8	10.8	12.3	15.4
Materials and services	-123.6	-121.7	-376.7	-369.6	-508.0
Employee benefits	-151.7	-159.4	-499.5	-514.3	-696.6
Other operating expenses	-74.0	-82.4	-241.0	-262.4	-374.1
Depreciation and amortisation	-17.3	-18.7	-50.7	-58.2	-75.8
Impairment losses	-0.1	-34.2	-30.4	-35.1	-35.4
Operating result	**5.1**	**-35.0**	**-11.2**	**-32.5**	**-27.5**
Finance income	4.1	0.6	6.2	3.1	3.8
Finance expenses	-1.8	-2.3	-5.9	-9.8	-13.1
Result before income tax	**7.4**	**-36.7**	**-10.9**	**-39.3**	**-36.9**
Income tax	-0.7	1.6	-2.8	-2.9	-7.4
Result for the period	**6.7**	**-35.1**	**-13.7**	**-42.2**	**-44.3**
Result for the period attributable to					
Parent company shareholders	6.7	-35.1	-13.6	-42.1	-44.3
Non-controlling interest	-0.1	0.0	-0.1	0.0	0.0
Earnings per share, basic, EUR	0.17	-0.88	-0.34	-1.05	-1.11
Earnings per share, diluted, EUR	0.17	-0.88	-0.34	-1.05	-1.11

Condensed consolidated Statement of Comprehensive Income

EUR million	7-9 2018	7-9 2017	1-9 2018	1-9 2017	1-12 2017
Result for the period	**6.7**	**-35.1**	**-13.7**	**-42.2**	**-44.3**
Other comprehensive income					
Items that may be reclassified to profit or loss:					
Changes in the fair value of financial assets at fair value through other comprehensive income*		0.0	0.0	-0.1	-0.1
Change in fair value of cash flow hedges	0.2	-0.1	0.0	-0.9	-0.9
Translation differences	-2.5	-0.3	-7.8	-5.6	-7.0
Income tax relating to these items	0.0	0.0	0.0	0.2	0.2
Items that will not be reclassified to profit or loss:					
Remeasurements of post-employment benefit obligations			0.2	0.4	-0.4
Income tax relating to these items			0.0	-0.1	0.1
Comprehensive income for the period	**4.4**	**-35.5**	**-21.3**	**-48.3**	**-52.5**
Comprehensive income attributable to					
Parent company shareholders	4.4	-35.5	-21.2	-48.2	-52.5
Non-controlling interest	-0.1	0.0	-0.1	0.0	0.0

* In 2018, new term according to IFRS9. 2017: Changes in the fair value of available-for-sale financial assets.

Condensed consolidated Balance Sheet

Assets

EUR million	Sep 30, 2018	Sep 30, 2017	Dec 31, 2017
Non-current assets			
Goodwill	147.4	180.4	180.7
Other intangible assets	56.6	57.3	56.9
Investment property	8.6	9.2	9.1
Property, plant and equipment	333.4	346.3	346.4
Other non-current investments	3.5	4.6	3.5
Non-current receivables	1.2	1.3	1.4
Deferred tax assets	12.6	14.9	11.0
Total non-current assets	**563.3**	**614.1**	**609.0**
Current assets			
Inventories	3.7	3.8	4.8
Trade and other receivables	289.1	303.2	314.2
Current income tax receivables	6.7	8.1	1.5
Current financial assets	66.5	112.9	77.4
Cash and cash equivalents	64.9	84.4	86.0
Total current assets	**431.1**	**512.4**	**483.9**
Total assets	**994.4**	**1,126.5**	**1,092.9**

Equity and liabilities

EUR million	Sep 30, 2018	Sep 30, 2017	Dec 31, 2017
Equity attributable to the shareholders of the parent company			
Share capital	70.0	70.0	70.0
General purpose reserve	142.7	142.7	142.7
Fair value reserve	-0.7	-0.8	-0.8
Translation differences	-98.4	-89.1	-90.6
Retained earnings	316.7	373.7	370.9
Total shareholders' equity	**430.3**	**496.6**	**492.3**
Non-controlling interests	0.2	0.3	0.3
Total equity	**430.5**	**496.8**	**492.6**
Non-current liabilities			
Deferred tax liabilities	20.9	23.7	23.7
Non-current borrowings	122.7	70.9	70.5
Other non-current payables	9.1	20.3	16.8
Advances received	14.2	13.9	14.0
Non-current provisions	11.9	12.6	20.6
Defined benefit pension plan liabilities	11.4	11.1	11.8
Total non-current liabilities	**190.2**	**152.4**	**157.4**
Current liabilities			
Current borrowings	9.5	111.9	49.5
Trade and other payables	268.2	281.5	317.6
Advances received	81.2	76.7	68.7
Current income tax liabilities	5.3	5.8	0.2
Current provisions	9.5	1.4	6.9
Total current liabilities	**373.7**	**477.3**	**442.9**
Total liabilities	**563.9**	**629.7**	**600.3**
Total equity and liabilities	**994.4**	**1,126.5**	**1,092.9**

Condensed consolidated Statement of Cash Flows

EUR million	1-9 2018	1-9 2017	1-12 2017
Result for the period	**-13.7**	**-42.2**	**-44.3**
Adjustments to cash flow	78.6	104.8	144.7
Change in net working capital	-19.8	-14.0	4.1
Cash flow before financial items and income tax	**45.2**	**48.7**	**104.4**
Financial items (net)	-0.7	1.1	-3.7
Income tax paid	-6.0	-5.0	-4.7
Cash flow from operating activities	**38.4**	**44.8**	**96.0**
Purchase of intangible assets	-13.3	-9.0	-13.2
Purchase of property, plant and equipment	-32.1	-37.2	-54.4
Proceeds from sale of intangible and tangible assets	1.1	6.5	7.4
Business acquisitions, net of cash acquired	-2.6	-7.8	-9.4
Proceeds from business disposals less cash and cash equivalents	5.8	-7.1	-7.1
Cash flow from financial assets	10.5		
Financial assets at fair value through profit or loss		29.0	39.3
Financial assets held to maturity		-10.0	15.0
Cash flow from other investments	-0.3	1.5	2.0
Cash flow from investing activities	**-30.9**	**-34.2**	**-20.4**
Increases in current loans			39.9
Repayment of current loans	-40.0	-0.1	-99.9
Increases in non-current loans	59.3	60.3	60.3
Finance lease payments	-7.4	-9.4	-12.7
Dividends paid	-40.0	-60.0	-60.0
Transactions with non-controlling interests		1.5	1.5
Cash flow from financing activities	**-28.1**	**-7.8**	**-70.9**
Change in cash and cash equivalents	**-20.5**	**2.8**	**4.7**
Cash and cash equivalents at the beginning of the period	**86.0**	**82.0**	**82.0**
Effect of exchange rates changes	-0.5	-0.4	-0.7
Cash and cash equivalents at the end of the period	**64.9**	**84.4**	**86.0**

Reconciliation of adjusted free cash flow

Cash flow from operating activities	38.4	44.8	96.0
Purchase of intangible assets and property, plant and equipment	-45.5	-46.3	-67.6
Free cash flow from operations	**-7.0**	**-1.5**	**28.4**
Cash flow impact of personnel restructuring costs	4.2	7.4	9.4
Cash flow impact of strategic project costs	3.2	1.0	1.0
Adjusted free cash flow	**0.3**	**6.9**	**38.8**

Consolidated Statement of Changes in Equity

EUR million	Attributable to the owners of the parent company: Share capital	General purpose reserve	Fair value reserve	Translation differences	Retained earnings	Total	Non-controlling interests	Total equity
Jan 1, 2018	**70.0**	**142.7**	**-0.8**	**-90.6**	**370.9**	**492.3**	**0.3**	**492.6**
Change in accounting policies IFRS 9 and IFRS 15*			0.0		-0.7	-0.7		-0.7
Jan 1, 2018, restated	**70.0**	**142.7**	**-0.7**	**-90.6**	**370.2**	**491.6**	**0.3**	**491.9**
Comprehensive income								
Result for the period					-13.6	-13.6	-0.1	-13.7
Other comprehensive income:								
Changes in the fair value of cash flow hedges, net of tax			0.0			0.0		0.0
Translation differences				-7.8		-7.8		-7.8
Remeasurements of post-employment benefit obligations, net of tax					0.2	0.2		0.2
Comprehensive income for the period			**0.0**	**-7.8**	**-13.4**	**-21.2**	**-0.1**	**-21.3**
Transactions with equity holders								
Dividends paid					-40.0	-40.0		-40.0
Sep 30, 2018	**70.0**	**142.7**	**-0.7**	**-98.4**	**316.7**	**430.3**	**0.2**	**430.5**

* Impact of changes in accounting policies is described in note 1. Accounting policies.

Jan 1, 2017	**70.0**	**142.7**	**0.1**	**-83.5**	**479.2**	**608.4**	**-**	**608.4**
Comprehensive income								
Result for the period					-42.1	-42.1	**0.0**	-42.2
Other comprehensive income:								
Changes in the fair value of available-for-sale financial assets and cash flow hedges, net of tax			-0.8			-0.8		-0.8
Translation differences				-5.6		-5.6		-5.6
Remeasurements of post-employment benefit obligations, net of tax					0.3	0.3		0.3
Comprehensive income for the period			**-0.8**	**-5.6**	**-41.8**	**-48.2**	**0.0**	**-48.3**
Transactions with equity holders								
Contributions by non-controlling interest					1.2	1.2	0.3	1.5
Other transactions with non-controlling interest					-4.8	-4.8	-	-4.8
Dividends paid					-60.0	-60.0	-	-60.0
Sep 30, 2017	**70.0**	**142.7**	**-0.8**	**-89.1**	**373.7**	**496.6**	**0.3**	**496.8**

EUR million	Attributable to owners of parent company: Share capital	General purpose reserve	Fair value reserve	Translation differences	Retained earnings	Total	Non-controlling interests	Total equity
Jan 1, 2017	**70.0**	**142.7**	**0.1**	**-83.5**	**479.2**	**608.4**	**-**	**608.4**
Comprehensive income								
Result for the period					-44.3	-44.3	0.0	-44.3
Other comprehensive income:								
Changes in the fair value of available-for-sale financial assets and cash flow hedges, net of tax			-0.8			-0.8		-0.8
Translation differences				-7.0		-7.0		-7.0
Remeasurements of post-employment benefit obligations, net of tax					-0.4	-0.4		-0.4
Comprehensive income for the period			**-0.8**	**-7.0**	**-44.6**	**-52.5**	**0.0**	**-52.5**
Transactions with equity holders								
Contributions by non-controlling interest					1.2	1.2	0.3	1.5
Other transactions with non-controlling interest					-4.8	-4.8		-4.8
Dividends paid					-60.0	-60.0		-60.0
Dec 31, 2017	**70.0**	**142.7**	**-0.8**	**-90.6**	**370.9**	**492.3**	**0.3**	**492.6**

Dividends

Posti Group Corporation's Annual General Meeting was held in Helsinki on March 27, 2018. The Annual General Meeting decided to distribute a dividend of EUR 27 million based on the result in 2017 and an extra dividend of EUR 13 million. The dividend distribution totals EUR 40 million.

Notes

1. Accounting Policies

The interim report has been prepared in accordance with IAS 34 Interim financial reporting. In the preparation of this interim report, Posti Group (the "Group") has applied the same accounting policies, methods of computation and presentation as in the consolidated financial statements for 2017 except for the adoption of new standards IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments effective as of January 1, 2018. Other amendments to IFRS standards effective as of 1 January 2018 had no impact on consolidated income statement or balance sheet. The figures shown have been rounded, which is why the sum total of individual figures may differ from totals presented. The interim report is unaudited.

Application of new or amended IFRS standards

The effects of the new standards IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments on this interim report have been described below.

Impact of adoption of IFRS 15 Revenue from contracts with customers

The Group has adopted the new standard IFRS 15 Revenue from contracts with customers on January 1, 2018 using the modified retrospective application. Under the modified retrospective application, the comparative financial information presented in this interim report has not been restated. The impact of adoption of IFRS 15 was recognised in the retained earnings on January 1, 2018. The Group has applied IFRS 15 only to contracts that were not completed at January 1, 2018.

The new standard defines a five-step model to recognize revenue based on contracts with the customers and replaces the predecessor standards IAS 18 and IAS 11 as well as related interpretations. The timing of the revenue recognition can take place over time or at a point of time, depending on the transfer of control. The standard also entails increased disclosures on revenue from customer contracts.

Adjustment to retained earnings January 1, 2018 from IFRS 15

EUR million	
Retained earnings Dec 31, 2017	**370.9**
Revenue recognition change in Parcel Services	-0.8
Revenue recognition change in Russian freight services	0.0
Impact on deferred tax	0.2
Adjustment to retained earnings Jan 1, 2018 - before restatement of IFRS 9	**-0.7**
Retained earnings Jan 1, 2018, restated - before restatement of IFRS 9	**370.3**

Revenue recognition for parcel business in Finland has been changed and the revenue for parcel services is recognized when the parcel has been delivered. According to previous accounting policies the revenue was recognised when parcel was received to Group's delivery network. The impact of the transition recognized in the shareholders’ equity was EUR -0.8 million before and EUR -0.6 million after deferred tax.

Revenue recognition for long-term transport services in Itella Russia segment has been redefined. Revenue and related expected costs are recognised during the progress of the transport. Progress towards complete satisfaction of a performance obligation is measured using an output method based on days of delivery performed related to estimated total delivery days. According to previous accounting policies revenue and related expected costs were recognised at the beginning of the transport. The impact of the transition was EUR -0.3 million in net sales and EUR -0.3 million in freight expenses, total impact to equity was EUR 0.0 million.

A significant portion of the Group's revenue is generated by rendering of short-term services. These services include freight services in Finland and in the Baltic countries, parcel services in the Baltic countries, delivery of international mail from Finland and via Finland, and delivery of unaddressed direct marketing. According to IFRS 15 revenue for these services should be recognized over time. However, the Group continues to recognize the revenue for these services when the delivery is received to the Group's delivery network because the Group has concluded that this has only a minor impact on the Group's income statement and balance sheet.

In addition to the short-term services described above, where the impact of the new standard is minor, the Group has identified the following areas where the new standard involves special consideration:

The Group has identified that some of the customer contracts of Supply Chain Solutions and Messaging include payments and costs relating to the implementation of the services. According to IFRS 15, these contract cost for fulfilling the service obligation are capitalized and amortized over the contract period. Also the payments received for these services are allocated over the contract period. The impact of the change was minor.

Certain service level penalty fees were previously recognized as expense and according to IFRS 15 they are recognized as a deduction of net sales. The impact on the financial statements was minor.

OpusCapita sell its customers either licenses or software as a service (SaaS). Licenses or service agreements do not involve significant tailoring but may include implementation services, which are considered as separate performance obligations. According to IFRS 15 the revenue for licenses is recognized when the license is granted and for SaaS the revenue is recognized over time. Revenue for implementation services is recognized for the period during which the service is performed. Before the implementation of IFRS 15 revenue for part of these services were recognized on invoicing basis, but the impact of this accounting policy change was immaterial.

Any possible sales bonuses for obtaining a customer contract were previously recognized as an expense. According to IFRS 15 they should be capitalized and accrued over the contract period. However, the Group has only a small amount of sales bonuses, relating to a limited amount of customers, that fulfill the capitalization criteria of IFRS 15 and consequently this does not have a material impact on the Group's income statement or balance sheet.

Impact of adoption of IFRS 9 Financial instruments

IFRS 9 Financial Instruments replaced the classification and measurement models in IAS 39 from 1 January, 2018. Posti Group applies the new standard for the future periods with prospective application. Under the prospective application, the comparative financial information presented in this interim report has not been restated. The impact of adoption of IFRS 9 Financial instruments was recognised in the opening balance sheet on January 1, 2018. The new standard brought changes to classification and measurement of financial assets, to their impairment assessment and to hedge accounting.

Adjustment to retained earnings January 1, 2018 from IFRS 9 and IFRS 15

EUR million	
Retained earnings Dec 31, 2017	**370.9**
Reclassify investments from available-for-sale to FVPL	0.0
Reclassify investments from FVPL to amortised cost	-0.3
Increase in loss allowance for debt investments at amortised cost	-0.1
Decrease in loss allowance for trade receivables	0.3
Impact in deferred tax	0.0
Adjustment to retained earnings Jan 1, 2018 from IFRS 9	**-0.1**
Adjustment to retained earnings Jan 1, 2018 from IFRS 15	**-0.7**
Retained earnings Jan 1, 2018, restated	**370.2**

Impairment of trade receivables

Impairment of financial asset is based on a new expected credit loss method. Posti Group applies a simplified provision matrix approach for trade receivables whereby the impairment loss is measured over the life of the asset unless the asset is already written off. A loss allowance of 100% is recognised for more than 180 days past due trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowances for trade receivables as at December 31, 2017 reconcile to the opening loss allowances on January 1, 2018 as follows:

EUR million	
December 31, 2017 – calculated under IAS 39	1.5
Amounts restated through opening retained earnings	-0.3
Opening loss allowance January 1, 2018 - calculated under IFRS 9	1.2

Classification, measurement and impairment of other financial assets

A debt instrument is measured at amortized cost only if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and the contractual cash flows under the instrument solely represent payments of principal and interest. All other debt and equity instruments are recognized at fair value and the fair value movements on these assets are taken through the income statement.

The new guidance had an impact on the classification and measurement of the Group’s financial assets. Money market investments and investments in bonds that were previously classified at fair value through profit or loss are currently classified at amortized cost category based on business model and SPPI (solely payments of principal and interest) test. The impact of reclassification was a decrease in the carrying amount of EUR 0,3 million. Further, equity instruments previously classified as available for sale are currently classified at fair value through profit or loss. The reclassification of equity investments to fair value through profit or loss had no impact on the carrying amount.

The Group estimates that the changes in classification of financial assets due to new standard decrease the volatility in the income statement to some extent.

The Group revised its impairment methodology under IFRS 9 for financial assets at amortised cost. The Group assesses the expected credit losses associated with its debt instruments carried at amortised cost on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For low credit risk bond investments, Posti applies a ‘low credit risk’ exemption, where the loss allowance recognised is limited to 12 months' expected credit losses. The impact of adopting impairment model under IFRS 9 on the carrying amounts was EUR -0.1 and is included in the below change effect.

The effects of reclassification, measurement and impairment on other financial assets than trade receivables are presented below:

	Measurement category		Carrying amount		
EUR million	**Dec 31, 2017 (IAS 39)**	**Jan 1, 2018 (IFRS 9)**	**Dec 31, 2017 (IAS 39)**	**Jan 1, 2018 (IFRS 9)**	**Change effect ***
Non-current financial assets					
Investments in non-trading equities	Available for sale	FVPL**	3.5	3.5	
Current financial assets					
Money market investments	FVPL**	Amortised cost	57.0	56.9	0.0
Investments in bonds	FVPL**	Amortised cost	18.2	17.9	-0.3
Equity fund investments	Available for sale	FVPL**	0.1	0.1	

* The change effects noted in this column are the result of applying the new expected credit loss model and the change of measurement category.

** FVPL = financial assets measured at fair value through profit or loss

Hedge accounting

The new hedge accounting rules align hedge accounting more closely with common risk management practices. As a general rule, it is easier to apply hedge accounting going forward due to the fact that only prospective effectiveness testing is required. However, the Group has not increased hedge accounting following the new standard. The Group's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9 and these relationships are therefore treated as continuing hedges.

Changes in standards not yet effective - IFRS 16 Leases

IFRS 16 Leases becomes effective for the years commencing on or after January 1, 2019. The new standard will affect primarily the accounting by lessees and as a result Posti will recognize significant amount of leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to fulfill the payment obligation under the lease contract. The standard continues to require Posti to distinguish between service contracts and lease contracts.

Given that Posti leases a large number of production, office and warehousing premises, transportation vehicles and production equipment from third parties for time periods longer than a year or under cancellable leases, the application of the standard is expected to have a significant impact on components of Posti's consolidated financial statements. Operating lease expense recorded on a straight-line basis will be replaced with interest and depreciation, so key metrics like operating result and EBITDA will change. The amount of leased assets and respective lease liabilities in the balance sheet will increase, which has an impact on balance sheet based performance indicators, such as the net debt.

Cash flow from operating activities will be higher as cash payments for the principal portion of the lease liability are classified within cash flow from financing activities and payments that reflect interest will continue to be presented as operating cash flows.

Posti is currently preparing for the implementation of the new standard including the definition of accounting policies and management judgments, planning and developing the accounting processes, tools and related controls as well as training of finance organization and communication.

The new standard requires management to apply judgment regarding the accounting treatment of leases. For leases that have been classified as operating leases under IAS 17, the lease liability will be recognized at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease. Where the rate is not available, Posti uses its incremental borrowing rate. Posti defines the rate separately for each significant geographical area, contract term and asset type.

Posti will make use of the practical expedients provided for leases with low-value asset and short-term leases (12 months or less), including rental contracts for premises, where Posti and the lessor both have termination options within 12 months or less. In case the contract includes termination or extension option, Posti will consider all relevant facts and circumstances that create an economic incentive for the lessee to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option.

Posti apply the standard using the modified retrospective method, which means the comparative figures will not be restated.

As at September 30, 2018, Posti has off-balance sheet non-cancellable operating lease commitments of EUR 229.6 million. On the basis of impact analysis conducted at beginning of 2018, the Group estimates that approximately EUR 240-260 million of these commitments and other cancellable leases will result in the recognition of an asset and a liability for future payments. In addition, Posti estimates that EUR 70-80 million of the lease expenses will be reclassified into depreciation and interest. The impact on operating result is estimated to be positive EUR 5-7 million and minor on the result for the period. A portion of the operating lease commitments will fall under the relief for short-term and low-value leases and therefore continue to be recognized as lease expense in the consolidated income statement under operating expenses. The impact estimate is based on the current lease portfolio and certain assumptions. The final impact of the new standard is dependent on the lease agreements that are valid on the date of the initial application on January 1, 2019 and it may differ from the current estimate. Posti's estimates are dependent on the overall structure and evolution of its lease portfolio and rental levels at any given time.

2. Foreign exchange rates

Average rate	1-9 2018	1-9 2017	1-12 2017
RUB	73.4244	64.9077	65.8877
SEK	10.2365	9.5826	9.6369
NOK	9.5884	9.2329	9.3286

Closing rate	Sep 30, 2018	Sep 30, 2017	Dec 31, 2017
RUB	76.1422	68.2519	69.3920
SEK	10.3090	9.6490	9.8438
NOK	9.4665	9.4125	9.8403

3. Operating segments

The Group's business is characterized by seasonality. Net sales and operating profit of the segments do not accrue evenly over the year. In postal services and consumer parcels, the first and fourth quarters are typically strong, while the second and third quarters are weaker.

Posti's reportable segments consist of four operating segments: Postal Services, Parcel and Logistics Services, Itella Russia and OpusCapita. The Postal Services operating segment and the Parcel and Logistics Services operating segments have been aggregated into a single reportable segment called Mail, Parcel and Logistics Services.

Postal Services is in charge of mail, press and marketing services as well as document sending and digitizing services. Parcel and Logistics Services is in charge of comprehensive supply chain solutions, parcel and eCommerce services, transport services for companies, as well as warehousing and supplementary services. Itella Russia offers comprehensive logistics services to both Russian and international companies. OpusCapita focuses on global procurement, payments and cash management solutions.

Majority of Group's net sales is derived from Finland. Geographical distribution of net sales is presented in Note 4. Net sales by geographical location. Mail, Parcel and Logistics services include Mail and Marketing Services, Press Services and Parcel Services with diverse customer base including private, corporate and public customers as well as foreign postal administrations. Services are mainly short-term services. Logistics Services serve corporate customers with long-term contracts. Itella Russia operates in Russia offering services to Russian and international corporate customers. OpusCapita offers services to corporate customers globally.

7-9
2018

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Opus-Capita	Segments total	Other and unallocated	Elimi-nations	Group total
External sales	329.7	25.1	14.4	369.1	0.0		369.1
Inter-segment sales	2.8		1.4	4.2	1.0	-5.2	
Net sales	**332.5**	**25.1**	**15.8**	**373.3**	**1.0**	**-5.2**	**369.1**
EBITDA	**15.1**	**2.2**	**1.9**	**19.2**	**3.2**		**22.4**
Special items included in EBITDA:							
Personnel restructuring costs	0.4	0.1		0.5	0.0		0.5
Onerous contracts		0.0		0.0			0.0
Other					0.2		0.2
Special items included in EBITDA total	**0.4**	**0.1**		**0.5**	**0.2**		**0.8**
Adjusted EBITDA	**15.5**	**2.3**	**1.9**	**19.7**	**3.4**		**23.1**
Operating result	**4.6**	**0.7**	**0.7**	**6.0**	**-1.0**		**5.1**
Special items included in operating result:							
Special items included in EBITDA	0.4	0.1		0.5	0.2		0.8
Impairment losses		0.0		0.0			0.0
Special items total	**0.4**	**0.1**		**0.5**	**0.2**		**0.7**
Adjusted operating result	**5.0**	**0.9**	**0.7**	**6.6**	**-0.8**		**5.8**
Financial income and expense							2.3
Profit/loss for the period before taxes							**7.4**

7-9
2017

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Opus-Capita	Segments total	Other and unallocated	Elimi-nations	Group total
External sales	330.6	29.3	14.8	374.6	4.0		378.6
Inter-segment sales	0.3	0.1	0.5	0.8	1.4	-2.2	
Net sales	**330.9**	**29.4**	**15.2**	**375.5**	**5.4**	**-2.2**	**378.6**
EBITDA	**16.4**	**0.9**	**0.3**	**17.7**	**0.3**		**17.9**
Special items included in EBITDA:							
Personnel restructuring costs	0.8	0.1		0.9	0.0		0.9
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)					2.8		2.8
Other			0.0	0.0	0.8		0.8
Special items included in EBITDA total	**0.8**	**0.1**	**0.0**	**1.0**	**3.5**		**4.5**
Adjusted EBITDA	**17.3**	**1.0**	**0.4**	**18.6**	**3.8**		**22.4**
Operating result	**-2.2**	**-0.8**	**-27.9**	**-30.9**	**-4.1**		**-35.0**
Special items included in operating result:							
Special items included in EBITDA	0.8	0.1	0.0	1.0	3.5		4.5
Impairment losses	7.0		26.9	33.9	0.3		34.2
Special items total	**7.8**	**0.1**	**26.9**	**34.9**	**3.8**		**38.6**
Adjusted operating result	**5.6**	**-0.7**	**-1.0**	**3.9**	**-0.3**		**3.6**
Financial income and expense							-1.7
Profit/loss for the period before taxes							**-36.7**

1-9
2018

EUR million	**Mail, Parcel and Logistics Services**	**Itella Russia**	**Opus-Capita**	**Segments total**	**Other and unallocated**	**Elimi-nations**	**Group total**
External sales	1,055.3	76.6	44.2	1,176.1	0.0		1,176.1
Inter-segment sales	5.3		3.3	8.6	3.3	-11.8	
Net sales	**1,060.5**	**76.6**	**47.5**	**1,184.7**	**3.2**	**-11.8**	**1,176.1**
EBITDA	**63.2**	**6.1**	**-0.9**	**68.4**	**1.5**		**69.9**
Special items included in EBITDA:							
Personnel restructuring costs	1.2	0.2	0.6	2.0	0.0		2.0
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)	-2.0			-2.0			-2.0
Onerous contracts		-0.8		-0.8			-0.8
Other	0.3		0.2	0.6	4.7		5.2
Special items included in EBITDA total	**-0.4**	**-0.6**	**0.9**	**-0.2**	**4.6**		**4.4**
Adjusted EBITDA	**62.8**	**5.4**	**-0.1**	**68.1**	**6.1**		**74.2**
Operating result	**31.6**	**1.3**	**-34.0**	**-1.0**	**-10.2**		**-11.2**
Special items included in operating result:							
Special items included in EBITDA	-0.4	-0.6	0.9	-0.2	4.6		4.4
Impairment losses		0.2	30.0	30.2			30.2
Special items total	**-0.4**	**-0.4**	**30.9**	**30.0**	**4.6**		**34.6**
Adjusted operating result	**31.2**	**0.9**	**-3.1**	**28.9**	**-5.6**		**23.4**
Financial income and expense							0.3
Profit/loss for the period before taxes							**-10.9**

1-9
2017

EUR million	**Mail, Parcel and Logistics Services**	**Itella Russia**	**Opus-Capita**	**Segments total**	**Other and unallocated**	**Elimi-nations**	**Group total**
External sales	1,044.6	86.0	46.0	1,176.7	18.1		1,194.7
Inter-segment sales	0.8	0.1	1.4	2.3	4.8	-7.1	
Net sales	**1,045.5**	**86.1**	**47.3**	**1,178.9**	**22.9**	**-7.1**	**1,194.7**
EBITDA	**64.3**	**1.8**	**-1.6**	**64.6**	**-3.8**		**60.8**
Special items included in EBITDA:							
Personnel restructuring costs	3.9	0.2		4.1	0.4		4.5
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)					8.0		8.0
Onerous contracts		0.0		0.0			0.0
Changes in contingent purchase considerations					2.5		2.5
Other			0.0	0.0	2.0		2.0
Special items included in EBITDA total	**3.9**	**0.2**	**0.0**	**4.1**	**12.9**		**17.0**
Adjusted EBITDA	**68.2**	**2.0**	**-1.5**	**68.7**	**9.1**		**77.7**
Operating result	**22.1**	**-3.6**	**-32.6**	**-14.0**	**-18.5**		**-32.5**
Special items included in operating result:							
Special items included in EBITDA	3.9	0.2	0.0	4.1	12.9		17.0
Impairment losses	7.0		26.9	33.9	1.1		35.0
Special items total	**10.9**	**0.2**	**26.9**	**38.0**	**13.9**		**51.9**
Adjusted operating result	**33.0**	**-3.4**	**-5.7**	**24.0**	**-4.6**		**19.4**
Financial income and expense							-6.7
Profit/loss for the period before taxes							**-39.3**

1-12
2017

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Opus-Capita	Segments total	Other and unallocated	Elimi-nations	Group total
External sales	1,447.5	119.1	62.5	1,629.0	18.0		1,647.0
Inter-segment sales	1.2	0.1	2.1	3.4	5.5	-9.0	
Net sales	**1,448.7**	**119.1**	**64.7**	**1,632.5**	**23.5**	**-9.0**	**1,647.0**
EBITDA	**102.2**	**-14.4**	**-3.6**	**84.2**	**-0.6**		**83.7**
Special items included in EBITDA:							
Personnel restructuring costs	3.8	0.3	0.7	4.9	0.1		5.0
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)					8.1		8.1
Onerous contracts		17.7		17.7	-1.1		16.6
Changes in contingent purchase considerations					2.5		2.5
Other	0.2		0.3	0.5	2.2		2.7
Special items included in EBITDA total	**4.1**	**18.0**	**1.0**	**23.1**	**11.8**		**35.0**
Adjusted EBITDA	**106.3**	**3.7**	**-2.6**	**107.4**	**11.2**		**118.6**
Operating result	**49.3**	**-21.5**	**-35.9**	**-8.1**	**-19.4**		**-27.5**
Special items included in operating result:							
Special items included in EBITDA	4.1	18.0	1.0	23.1	11.8		35.0
Impairment losses	7.0		26.9	33.9	1.1		35.0
Special items total	**11.1**	**18.0**	**27.9**	**57.0**	**12.9**		**69.9**
Adjusted operating result	**60.4**	**-3.5**	**-7.9**	**48.9**	**-6.5**		**42.4**
Financial income and expense							-9.4
Profit/loss for the period before taxes							**-36.9**

Net sales of Mail, Parcel and Logistics Services

EUR million	1-9 2018	1-9 2017	1-12 2017
Mail and Marketing Services	446.7	449.0	630.2
Press Services	122.0	123.6	166.9
Parcel Services	213.3	203.7	287.5
Logistics Services	283.6	275.8	373.4
Other and eliminations	-5.1	-6.5	-9.3
Total	**1,060.5**	**1,045.5**	**1,448.7**

Sep 30, 2018

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Opus-Capita	Segments total	Other and unallocated	Elimi-nations	Group total
Assets	601.8	116.1	72.8	790.7	211.8	-8.1	**994.4**
Liabilities	339.6	27.5	20.2	387.3	184.7	-8.1	**563.9**
Capital expenditure	24.0	0.7	3.0	27.7	21.5		**49.1**
Depreciation and amortization	31.4	4.5	3.0	39.0	11.7		**50.7**
Impairment losses	0.2	0.2	30.0	30.4	0.0		**30.4**
Personnel, end of period	16,018	1,804	345	18,167	712		**18,879**
Personnel on average, FTE	13,885	2,036	363	16,284	689		**16,973**

Sep 30, 2017

EUR million							
Assets	593.9	140.4	100.6	834.9	292.6	-1.0	**1,126.5**
Liabilities	352.8	17.1	8.9	378.8	251.9	-1.0	**629.7**
Capital expenditure	22.2	1.4	3.3	26.9	26.0		**52.9**
Depreciation and amortization	34.8	5.4	4.1	44.3	13.9		**58.2**
Impairment losses	7.4	0.1	26.9	34.3	0.8		**35.1**
Personnel, end of period	16,415	2,476	386	19,277	671		**19,948**
Personnel on average, FTE	14,348	2,338	365	17,052	1,228		**18,280**

Dec 31, 2017

EUR million							
Assets	606.8	138.6	101.4	846.8	248.9	-2.9	**1,092.9**
Liabilities	379.8	29.4	12.9	422.1	181.0	-2.9	**600.3**
Capital expenditure	28.3	2.3	4.3	34.9	38.4		**73.3**
Depreciation and amortization	45.5	7.0	5.3	57.8	18.0		**75.8**
Impairment losses	7.5	0.2	26.9	34.6	0.8		**35.4**
Personnel, end of period	16,615	2,329	404	19,348	666		**20,014**
Personnel on average, FTE	14,133	2,325	372	16,830	1,082		**17,912**

4. Net sales by geographical location

EUR million	7-9 2018	7-9 2017	1-9 2018	1-9 2017	1-12 2017
Finland	296.5	296.2	942.3	928.9	1,289.2
Other Nordic countries	24.1	29.4	79.8	96.6	124.9
Russia	24.8	29.3	75.9	85.9	118.8
Other countries	23.6	23.7	78.1	83.3	114.2
Total	**369.1**	**378.6**	**1,176.1**	**1,194.7**	**1,647.0**

Disaggregated information on the net sales is presented in the note 3. Operating segments.

5. Acquired businesses and business divestments

Business acquisitions and divestments July-September 2018

Posti continues its growth in logistics according to its strategy. Posti announced on September 28 that Posti, MB Funds and other shareholders have signed an agreement Posti acquiring the entire share capital of Suomen Transval Group Oy. Transval is one of the leading in-house logistics service providers in Finland. As a result of this acquisition, Posti would become a significant operator in logistics outsourcing solutions in Finland. The closing of the acquisition is subject to an approval by the Finnish Competition and Consumer Authority. Because of the abovementioned requirement of approval, the acquisition is not yet recognized in the third quarter interim report.

6. Property, plant and equipment

The changes in the carrying amount of property, plant and equipment are as follows:

EUR million	Sep 30, 2018	Sep 30, 2017	Dec 31, 2017
Carrying amount on Jan 1	**346.4**	**360.5**	**360.5**
Acquired businesses	0.0	0.0	0.2
Additions	35.8	39.2	54.9
Business divestments	-0.1	-0.2	-0.2
Disposals and transfers between items	-1.0	-2.9	-4.3
Depreciation	-38.3	-43.0	-56.6
Impairment	0.0	-0.1	-0.3
Translation differences	-9.3	-7.2	-7.9
Carrying amount at the end of the period	**333.4**	**346.3**	**346.4**

7. Goodwill and other intangible assets

The changes in the carrying amount of a total of goodwill and other intangible assets are as follows:

EUR million	Sep 30, 2018	Sep 30, 2017	Dec 31, 2017
Carrying amount on Jan 1	**237.7**	**274.4**	**274.4**
Acquired businesses	0.0	5.0	5.0
Additions	13.3	9.0	13.3
Business divestments	-4.1	-0.9	-0.9
Disposals and transfers between items	-0.4	-0.1	-0.2
Amortization	-11.7	-14.3	-18.6
Impairment	-30.4	-35.1	-35.1
Translation differences	-0.4	-0.3	-0.3
Carrying amount at the end of the period	**204.0**	**237.7**	**237.7**

As a result of management evaluation OpusCapita's business plan, including the execution schedule and required investments to implement the plan and the risk-premium of the discount rate, an impairment loss on goodwill of EUR 30.0 million was recognized in the first quarter of the year.

8. Net debt and liquid funds

EUR million		Borrowings	Borrowings on finance leases	Borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount on	**Jan 1, 2018**	**100.7**	**19.3**	**120.0**	**123.7**	**39.7**	**-43.4**
Cash flows		19.5	-7.4	12.0	-31.7	0.2	43.5
Business acquisitions		0.0	0.0	0.0	0.0	0.0	0.0
Effect of exchange rates changes		0.0	0.0	0.0	-0.5	0.0	0.5
Other non-cash items		-0.1	0.3	0.1	0.0	0.0	0.1
Carrying amount on	**Sep 30, 2018**	**120.0**	**12.1**	**132.2**	**91.5**	**39.9**	**0.8**
Fair value on	**Sep 30, 2018**	**120.4**	**12.1**	**132.6**			

EUR million		Borrowings	Borrowings on finance leases	Borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount on	**Jan 1, 2017**	**100.4**	**31.6**	**132.1**	**159.9**	**54.7**	**-82.5**
Cash flows		60.2	-9.4	50.7	-26.9	10.0	67.6
Business acquisitions		0.0	0.0	0.0	0.0	0.0	0.0
Effect of exchange rates changes		0.0	0.0	0.0	-0.4	0.0	0.1
Other non-cash items		-0.3	0.2	0.0	0.0	0.0	0.2
Carrying amount on	**Sep 30, 2017**	**160.3**	**22.4**	**182.8**	**132.5**	**64.7**	**-14.5**
Fair value on	**Sep 30, 2017**	**160.7**	**22.4**	**183.2**			

EUR million		Borrowings	Borrowings on finance leases	Borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount on	**Jan 1, 2017**	**100.4**	**31.6**	**132.1**	**159.9**	**54.7**	**-82.5**
Cash flows		0.3	-12.7	-12.4	-34.5	-15.0	37.2
Business acquisitions		0.0	0.0	0.0	0.0	0.0	0.0
Effect of exchange rates changes		0.0	0.0	0.0	-0.7	0.0	0.7
Other non-cash items		0.0	0.3	0.3	-1.0	0.0	1.2
Carrying amount on	**Dec 31, 2017**	**100.7**	**19.3**	**120.0**	**123.7**	**39.7**	**-43.4**
Fair value on	**Dec 31, 2017**	**101.0**	**19.3**	**120.3**			

EUR million	Sep 30, 2018	Sep 30, 2017	Dec 31, 2017
Cash and cash equivalents	64.9	84.4	86.0
Money market investments and investments in bonds	26.5	48.1	37.7
Liquid funds	**91.5**	**132.5**	**123.7**

9. Fair value hierarchy of financial assets and liabilities measured at fair value

EUR million	Total	Level 1	Level 2	Level 3
Sep 30, 2018				
Financial assets measured at fair value				
Non-current receivables				
Other non-current investments	3.4			3.4
Current financial assets				
Derivative contracts				
Currency derivatives, non-hedge accounting	0.1		0.1	
Equity fund investments	0.1			0.1
Total	**3.5**		**0.1**	**3.4**
Financial liabilities measured at fair value				
Other non-current liabilities				
Derivative contracts				
Interest rate derivatives, hedge accounting	0.7		0.7	
Trade payables and other liabilities				
Derivative contracts				
Currency derivatives, non-hedge accounting	0.0		0.0	
Currency derivatives, hedge accounting	0.2		0.2	
Equity derivatives, written put option	1.7			1.7
Total	**2.7**		**1.0**	**1.7**

EUR million	Total	Level 1	Level 2	Level 3
Sep 30, 2017				
Financial assets measured at fair value				
Non-current receivables				
Other non-current investments	4.5			4.5
Current financial assets				
Money market investments	60.4		60.4	
Bonds	21.6	17.3	4.3	
Derivative contracts				
Currency derivatives, non-hedge accounting	0.0		0.0	
Equity fund investments	0.1			0.1
Total	**86.7**	**17.3**	**64.8**	**4.6**
Financial liabilities measured at fair value				
Other non-current liabilities				
Derivative contracts				
Interest rate derivatives, hedge accounting	0.9		0.9	
Equity derivatives, written put option	4.8			4.8
Trade payables and other liabilities				
Derivative contracts				
Currency derivatives, non-hedge accounting	0.0		0.0	
Currency derivatives, hedge accounting	0.0		0.0	
Total	**5.8**		**1.0**	**4.8**

No transfers between the fair value hierarchy levels have been made during the reporting periods. The Group identifies and recognizes transfers between different levels as the transaction is excercised or at the moment when the parametres change materially.

Hierarchy levels:
Level 1: Fair values are based on the quoted prices of identical asset groups or liabilities in active markets.
Level 2: Fair values are, to a significant degree, based on data other than quoted prices included in level 1, but on data that can be either directly or indirectly verified for the asset group or liability in question.
To determine the fair value of these instruments, the Group uses generally accepted valuation models that are, to a significant degree, based on verifiable market data.
Level 3: Fair values are based on data regarding the asset group or liability that is not based on verifiable market data.

The fair value of currency forward contracts is calculated by measuring forward contracts against the forward rates on the reporting date. The fair values of interest rate swaps are calculated by discounting the forecast cash flows of the contracts with the market interest rate curves on the reporting date. The measurement of equity funds relies on valuations delivered by external investment managers, based on the general valuation techniques used by asset managers. The fair value of the written put option is based on the expected contractual cash flows.

The group also has a number of financial instruments which are not measured at fair value in the balance sheet. The fair value of investments in bonds was EUR 10.8 million and their carrying value EUR 10.6 million. For the other instruments, the fair values are not materially different to their carrying amounts, since the instruments are short-term in nature.

10. Pledges, commitments and other contingent liabilities

Pledges

EUR million	Sep 30, 2018	Sep 30, 2017	Dec 31, 2017
Pledges for own behalf			
Bank guarantees	6.8	3.8	6.7
Guarantees	4.2	4.2	4.2
Pledges	0.1	0.2	0.2
Total	**11.0**	**8.3**	**11.1**

Operating leases

EUR million	Sep 30, 2018	Sep 30, 2017	Dec 31, 2017
Maturity of minimum lease payments:			
Less than a year	50.0	66.7	56.0
1-5 years	112.9	129.2	118.8
More than 5 years	66.7	98.1	79.5
Total	**229.6**	**294.0**	**254.3**

Legal proceedings

In March 2018, the Supreme Court did not grant leave to appeal in litigation concerning the value added tax on postal services requested by the claimants against Posti. This means that the decision given at September 2017 by the Court of Appeal of Helsinki to overrule the complaint as requested by Posti and to compensate the legal expenses of Posti remains final.

In 2011 and 2012, seven financial institutions submitted a claim primarily against Posti, and secondarily against Posti and the State of Finland in order to receive compensation for the value added tax charged by Posti on its postal services in 1999–2014. The claim was based on the allegation that the Finnish Value Added Tax Act had been, and still remained, contrary to the EU's Value Added Tax Directive. According to the claims, the postal services provided for the financial institutions should have been VAT exempt. The claims were rejected in their entirety by a decision of the Helsinki District Court in September 2015, and by a decision of the Court of Appeal of Helsinki in September 2017. Posti is not obliged to compensate the VAT that it has charged from its customers. During the process, Posti has considered that the allegations made by the plaintiffs to be without merit.

In September 2018, the Supreme Administrative Court of Finland has made a decision on the request for action submitted by Suomen Suoramainonta Oy (SSM) concerning Posti's operations in the unaddressed mail delivery services market. According to the decision by the Supreme Administrative Court, Posti's pricing concerning the delivery of unaddressed advertising mail is not in violation of the competition law.

Other contingent liabilities

In accordance with the environmental permit, the Group is subject to environmental liability regarding the cleanup of land of Pohjois-Pasila building lots. The liability amounts to approximately EUR 19.9 million and it will be realized if the construction in the building lots begins.

Derivative contracts

EUR million	Sep 30, 2018	Sep 30, 2017	Dec 31, 2017
Currency derivatives			
Non-hedge accounting			
Fair value	0.0	0.0	-0.2
Nominal value	9.7	10.2	10.3
Hedge accounting			
Fair value	-0.2	0.0	-0.1
Nominal value	6.6	3.1	3.1
Interest rate derivates			
Hedge accounting			
Fair value	-0.7	-0.9	-0.9
Nominal value	60.0	60.0	60.0
Equity derivatives			
Non-hedge accounting			
Fair value	-1.7	-4.8	-4.8

11. Events after the reporting period

Posti is renewing its operating model. This will mean new job descriptions among Posti employees and the discontinuation of some previous positions. Posti announced on October 16, 2018 that cooperation negotiations will begin on October 23. According to the current estimate, the personnel reduction need will be at most 72 employees, with the hope that the number will be decreased by filling newly established positions.